



AN OVERVIEW FOR INVESTORS

Release of Offshore Petroleum
Exploration Areas Australia
2003



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Purpose of this Overview

This book provides introductory information on the Australian oil and gas sector. The purpose is to provide a background for investors and general readers on the government framework in place for petroleum exploration, development and production in Australia. A wide range of contact details and information networks are also provided to assist interested parties in accessing more detailed information on upstream petroleum related matters in Australia.

It has been produced in the Australian Government Department of Industry, Tourism and Resources (ITR) by the Resources Division, in consultation with the Mines Departments in the six States and the Northern Territory.

Material contained in this handbook is part of the 2003 Offshore Petroleum Acreage Release Package, which is available on CD-ROM or at: www.industry.gov.au/petexp.

The producers of this release package welcome any comments or suggestions you have on its content. Please e-mail your comments to: petroleum.exploration@industry.gov.au.



Contents

Why Invest in Australia?	1
Australia - a Petroleum and Mining Nation	2
Australia - a Great Place to Invest	6
Petroleum and Geoscience Datasets	7
Government Geoscience Initiatives	11
Australia's Petroleum Potential	14
Roles and Responsibilities of Government	15
Economic Policies and Regulatory Reforms	16
Foreign Investment Guidelines	17
Arrangements for International Business Visas	18
What can Invest Australia do for you?	19
Local Content in Petroleum Developments	21
Petroleum Taxation Arrangements	23
General Taxation Arrangements	25
Petroleum Law in Australia	29
Offshore Petroleum Titles	31
Offshore Safety Administration	35
Environment Protection Requirements	36
The Native Title Act and Petroleum Titles	41
Timor Sea Joint Petroleum Development Area	43
Appendices	
Appendix A: Key Sector Contacts - Commonwealth Government	44
Appendix B: Key Sector Contacts - State/Territory Mines Departments	45
Appendix C: Key Sector Contacts - Private Sector Groups and Associations	47
Appendix D: Key Sector Contacts - Taxation Matters (Commonwealth)	48
Appendix E: Australia - General Facts	49
Tables	
Table 1: Australia's Estimated Petroleum Resources	3
Table 2: Petroleum Production in Australia - Financial Year 2001-2002	3
Table 3: Assessments of Australia's Undiscovered Resources of Crude Oil, Gas and Condensate, April 2001	14
Table 4: Petroleum Exploration and Development Wells Drilled in Australia as at 31 December 2001	14
Table 5: New Field Wildcat success rates 2000 & 2001	14





Why Invest in Australia?

Although Australia is a relatively small producer in a global sense, there is good potential for large discoveries of both oil and gas.

Australia possesses extensive areas of potential petroleum-bearing sedimentary basins, many of which remain under-explored. However, this should not be confused with being un-prospective. The outlook for significant oil and condensate-rich gas discoveries remains optimistic and there are significant investment opportunities available.

Some of the attributes which make Australia attractive for petroleum investment include:

- extensive opportunities to explore in prospective basins;
- the regular release of new exploration acreage covering a range of regions from mature to frontier;
- access at low cost to a comprehensive, high quality geoscientific data base;
- expanding physical infrastructure, sophisticated technical and services support, and a highly educated workforce and pool of skilled petroleum professionals;
- an internationally competitive profit-related tax system that recognises the risks of exploration;
- closeness to markets in the growing economies of Asia and the Pacific;
- continuing government initiatives in geoscientific mapping;
- an attractive policy and legal framework for oil and gas development, conducive to companies of all sizes;
- security of title with the right to retain and/or develop a discovery, subject to meeting the specified terms of a retention lease or a production licence;
- transparent, predictable and practical regulatory requirements covering all stages of operations;
- a free market philosophy which welcomes foreign investment - Australia has no mandatory local equity requirements and has no government owned oil companies;
- government facilitation of investment, including fast-tracking of approvals processes for major projects;
- an open and competitive economy, including deregulated banking and foreign exchange arrangements and a sophisticated capital market; and
- a good record of industrial harmony.

Australia is also a great place to live and work. Australia has a very high standard of living and a long-standing democratic culture based on the rights of the individual and the rule of the law. It has a high degree of social harmony, is politically stable and enjoys a quality of life that is among the best in the world.





Australia - a Petroleum and Mining Nation

Australia has an enviable history in the successful development of its abundant natural resources. It has a long mining tradition and is well aware of the significant benefits that resource development offers our economy and trade.

The minerals and petroleum industries continue to generate a high proportion of the nation's export income. In 2001-02, mineral and petroleum exports totalled \$A54.7 billion, amounting to 36 per cent of Australia's total exports of goods and services.

There is continuing high potential for further large discoveries of both oil and gas. As offshore exploration only began in earnest in the late 1960s, Australia remains under-explored. Our vast sedimentary basins hold significant opportunities for exploration success and there are many reasons for petroleum exploration and development companies to invest in these opportunities. Table 1 below sets out Australia's estimated petroleum resources, demonstrating Australia's credentials as a producer of both oil and gas.

The Australian petroleum industry is entrepreneurial, innovative and has achieved significant success. It is made up of a number of small, medium and large companies, many of whom operate on the international scene. Australia's sophisticated legal framework, petroleum tenement system, favourable taxation regime and investment environment explain Australia's consistent high ranking in international investment surveys.

In 2001-02, Australia produced around 82 per cent of its liquid petroleum needs in net terms and all of its gas needs (refer to Table 2 for petroleum production figures). The market value of crude oil and gas production in 2001-02 was around \$A15 billion, with exports valued at around \$A9.5 billion. As most oil found to date in Australia has been of a lighter grade, Australia needs to import lubricating oils, grease and bitumen or crudes that are suitable for refining into these products.

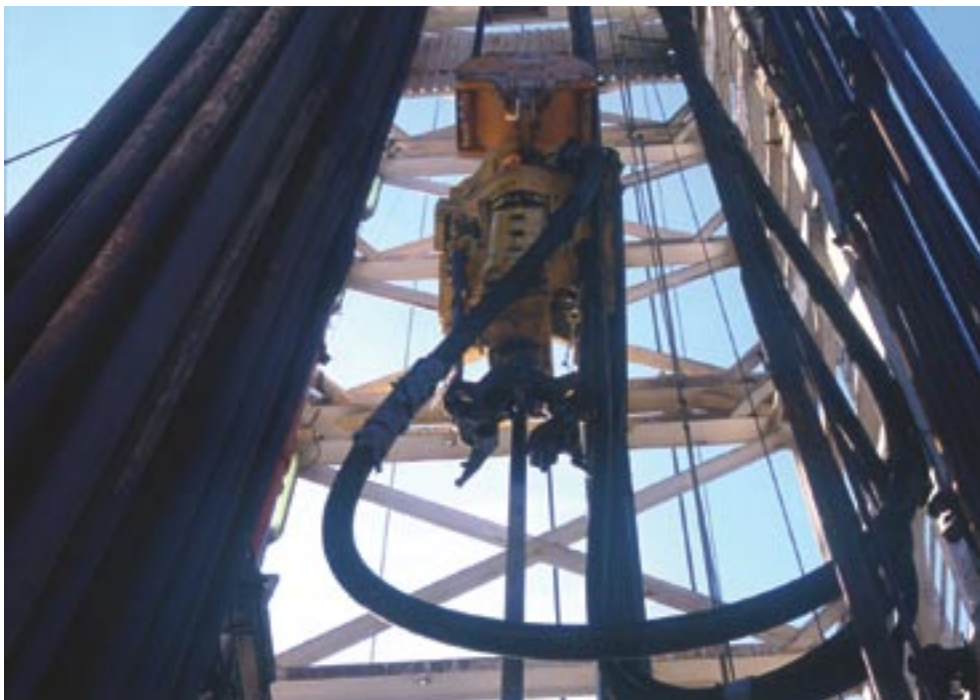


Table 1: Australia's Estimated Petroleum Resources

	Economic Demonstrated Resources ⁽¹⁾	Sub-economic Demonstrated Resources ⁽²⁾
Crude Oil (million barrels)	1129	386
Condensate (million barrels)	1735	673
LPG (million barrels)	1725	460
Sales Gas (trillion cubic feet)	80	57

(1) Economic Demonstrated Resources are resources judged to be economically extractable and for which the quality and quantity are computed partly from specific measurements, and partly from extrapolation for a reasonable distance on geological evidence.

(2) Sub-economic Demonstrated Resources are similar to Economic Demonstrated Resources in terms of certainty of occurrence and, although considered to be potentially economic in the foreseeable future, these resources are judged to be sub-economic at present.

Source: Estimates as at 1 January 2001 published in the *Oil and Gas Resources of Australia 2001* (in accordance with the McKelvey classification), by Geoscience Australia, Department of Industry, Tourism and Resources, 2002.

Table 2: Petroleum Production in Australia – Financial Year 2001-2002

Crude Oil (million barrels)	Condensate (million barrels)	LPG (million barrels)	Natural Gas ⁽¹⁾ (million cubic metres)
197.5	45.1	29.2	32,689

(1) Commercial sales plus field and plant usage.

Source: *Australian Petroleum Statistics* Issue No. 71, June 2002, published by the Resources Division, Department of Industry, Tourism and Resources, Canberra.





There have been continuing discoveries of both oil and gas in offshore Australia. About 95.7 per cent of Australia's oil and 79.3 per cent of gas production is from offshore resources located in Bass Strait, the North West Shelf (NWS) and the Timor Sea. It is also in the offshore areas that most of the undiscovered resources are thought to exist.

Over the last 20 years, the natural gas industry has grown from a relatively small base to being Australia's third primary energy source after coal and oil. Natural gas demand is increasing and currently accounts for about 20 per cent of Australia's primary energy needs. It meets 34 per cent of the industrial energy requirements and 28 per cent of the energy requirements of the commercial and residential sector. The gas industry has strong growth potential, particularly the industrial, minerals processing and electricity generating sectors. Australia's exports of Liquefied Natural Gas (LNG) are expected to increase substantially in the next few years.

Utilising the large quantities of natural gas found on Australia's NWS, Australia has developed a world class LNG export facility. The NWS project currently supplies approximately 8 per cent of world LNG trade and 10.5 per cent of the Asia-Pacific market trade, with LNG exports valued at A\$2.6 billion per annum. The NWS LNG facility has three liquefaction trains with a total LNG production capacity of 8 million tonnes per annum (mtpa). Almost all of the NWS LNG is exported to Japan under long term contracts for use in power generation and for industrial, commercial and domestic heating.

Following agreements with Japanese utilities for additional contracted supplies of LNG, the NWS Joint Venture partners announced in April 2001 that a fourth LNG production train would be constructed at a cost of A\$1.6 billion. The fourth train is expected to start production in 2004-05, and this will increase NWS LNG exports to around 12 mtpa. Plans to further expand the NWS project to meet expected growing demand in Asia are well advanced, and are more likely to proceed following the NWS's success in the tender to supply LNG to Guangdong in southern China.

Development of the Bayu-Undan gas project, which will supply gas to a A\$6 billion onshore LNG plant near Darwin is also progressing. Phillips Petroleum has an agreement with Tokyo Electric Power and Tokyo Gas to supply 3 mtpa of LNG for 17 years, starting in 2006 from Bayu-Undan.

Australia's large natural gas reserves have created the potential to be a key world site for the development of a Gas to Liquids (GTL) industry. As a large user of natural gas, GTL offers Australia a significant opportunity to commercialise its large undeveloped gas reserves. Australia has already been identified as an attractive location for several potential GTL projects. Those publicly announced projects at various stages of consideration include: Methanex (methanol); GTL Resources' Australian Methanol Plant; Sasol Chevron's GTL fuels project; Japan DME Limited project (di-methyl ether/methanol); Methanol Australia (methanol); DME International (dimethyl ether) and Coogee Chemicals (methanol).

Significant expansion and integration of Australia's domestic gas transmission and distribution network in recent years, particularly in south eastern Australia, has facilitated growth in established gas markets and introduced gas into new regional centres (see map). This is enhancing basin-on-basin competition in the supply of gas that will be beneficial to gas consumers and encourage the development of new industries as well as increase opportunities to commercialise gas discoveries.

The Tasmanian Natural Gas Pipeline from Victoria to Tasmania was completed in 2002, connecting Tasmania to Australia's south eastern gas pipeline grid. This is the first commercial supply of gas into Tasmania, and is expected to stimulate economic development in minerals processing and other industries.

The proposed construction of a pipeline linking Victoria and South Australia will deliver gas from the Otway and Bass Basins to Western Victoria and South Australia by January 2004, and increase security of gas supply to each State. A number of proposals are being evaluated to bring Timor Sea and PNG gas to south eastern Australian gas markets. In addition, other pipelines are under consideration to facilitate the commercialisation of coal seam methane gas resources in Queensland and NSW.

These pipeline projects will further integrate the pipeline network and enable gas from new upstream developments to be transported to domestic gas markets.





Australia - a Great Place to Invest

Australia is a great place to live and work, with a wealth of opportunities for investors.

In a rapidly changing world marked by increased globalisation, new technology and the uptake of e-commerce and internet technologies, Australia's economic performance is among the best in the world and the outlook continues to remain bright.

The Australian economy is one of the fastest growing economies of the developed nations in 2002. A report released by the Organisation for Economic Cooperation and Development in November 2002 forecast that Australia's GDP will grow by 3.7 per cent in real terms in 2003.

Australia is an extremely cost-competitive location. Low property, construction and R&D costs, coupled with competitive wages, transport and utility costs, are key reasons why Australia has been chosen as a key investment location by many companies.

With further advantages such as high productivity, a stable business environment, and access to highly skilled people and innovative technologies, it is no surprise that over 400 multinational companies have chosen to call Australia 'home'.

Australia's highly multicultural society is characterised by a culture that is open, tolerant, and appreciative of its rich cultural diversity. The Australian population is an eclectic mix of people representing more than 200 nations.

With Australia's immigration system covering a range of business needs, companies can bring specialist management and technical staff into Australia on either a temporary or permanent basis. Expatriates find Australia to be a very attractive and affordable posting, offering quality cultural activities and unparalleled leisure opportunities.

As a 'window' to the Asia-Pacific region, the Australian business environment is highly regarded by the international business community. This follows almost two decades of major reforms opening up the economy and improving our international competitiveness.



With a regulatory framework that keeps pace with financial market developments, you'll find an internationalised currency, no foreign exchange controls, and a highly effective regime for intellectual property rights.

Australia has a very high standard of living and a longstanding democratic culture based on respect for the rule of law. Australia is home to one of the world's most stable democracies, with a high degree of social harmony, and a quality of life amongst the best in the world.

Petroleum and Geoscience Datasets

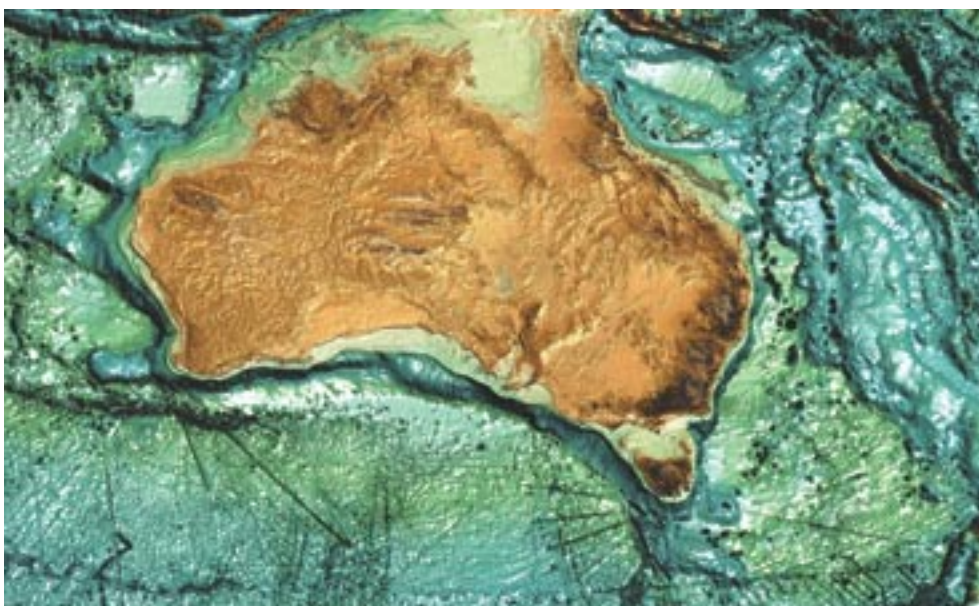
A great aid to exploring in Australia is easy access to major geoscientific datasets. These are available free or at nominal cost and include:

- government-generated geoscientific maps and datasets;
- company reports of previous exploration;
- open file exploration databases; and
- geographic information system (GIS) data.

Government Geoscience Maps and Datasets

The Commonwealth, State and Northern Territory (NT) Governments each have a range of highly developed datasets that are publicly available. These typically include petroleum occurrences, resources, geological features and tenement boundaries. An increasing amount of this data is available in digital formats. Details of the material available from each State can be obtained from the contacts listed under Key Sector Contacts (see Appendices).

Geoscience Australia (formerly the Australian Geological Survey Organisation) is the national geological survey agency. It undertakes major studies designed to reduce exploration risk and promote the petroleum prospectivity of Australia's under-explored sedimentary basins through the provision of pre-competitive geoscience information. The agency has been carrying out this work since the early 1980s and has extensive databases, data sets and reports from many areas, particularly offshore. Well header data, biostratigraphy, two way time, depositional facies, porosity, permeability and organic geochemistry data can be obtained free of charge for most offshore wells. These data can be accessed and interrogated via a map-enabled internet interface with download capability (www.ga.gov.au/oracle/apcrc). For more information and details of current projects see Geoscience Australia's web site: www.ga.gov.au.





Mapping programs undertaken by Commonwealth and State/NT geological surveys have generated a comprehensive geological and geophysical coverage of Australia. The continent is covered by geological maps at 1:250 000 scale and selected mineral provinces at more detailed scales (1 100 000, 1:50 000 and 1:25 000). Province and State/Territory-wide maps are available at scales from 1:500 000 to 1:2 million, and at 1:2.5 million and 1:5 million scale for the Australian continent.

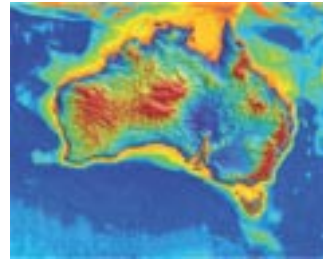
Standard series maps are accompanied by reports or explanatory notes and recent maps are available in digital formats. Other map products, in the form of thematic maps and atlases, include mineral deposit, metallogenic, regolith landform, stream sediment geochemistry maps, and are available at a range of scales and formats, some suitable for use in GIS packages.

Most of the continent is covered by regional airborne magnetic and gamma-ray spectrometric surveys. Located stacked profile and contour maps are available in 1:250 000 map sheet areas for most surveys. Pixel maps of the magnetic data are available at continental (1:10 million and 1:5 million) and individual state-wide (1:1-1:2 million) scales. Gridded digital data are also available for the entire country, including some offshore regions, and standard 1:1 million sheet areas of 6 degrees by 4 degrees.



More than 6 million line km (covering 30 per cent of the country) of high resolution airborne magnetic and gamma-ray spectrometric data (100-500m line spacing, 60-80m sensor height) are available in digital and image map formats.

A gravity database of Australia, with a nominal station spacing of 11km, is available as gravity anomaly maps (at scales of 1:5 million, 1:1 million and 1:250 000) as well as a gridded (1.5 minute) gravity anomaly dataset. More detailed data, including new surveys at 2 to 4 km station spacing, conducted by the Commonwealth and States/NT, are available for selected offshore and onshore provinces.



Geoscience Australia holds an extensive database of bathymetry from ship trackline soundings acquired since 1963 and swath bathymetry data acquired using modern techniques. A grid with a cell size of 0.01° (~1 km) can be obtained from Geoscience Australia. The bathymetry grid has been used for research and analysis as a fundamental layer in geological, technical and environmental studies. The grid is not designed for use as a navigational aid or research into safety at sea, for which purpose the client is directed to special products prepared by the Royal Australian Navy Hydrographic Office.

Open File Exploration Database

Most petroleum legislation in Australia requires companies to submit data and technical reports on their exploration activities as part of their obligations following the grant of an exploration title. Under Australia's offshore petroleum legislation (*Petroleum (Submerged Lands) Act 1967*) basic data resulting from exploration activities are generally available two years after submission and interpretative data may be made available five years after submission. Data from certain non-exclusive 3D seismic surveys may remain confidential for 8 years provided 2D data derived from the 3D dataset is also submitted.

The bulk of data from operations on Australia's continental shelf, comprising seismic and well survey information and cores, cuttings and reports, is stored by Geoscience Australia at its data repository, and in relevant State/NT repositories.

Geoscience Australia provides access to data through the Petroleum Information Management System (PIMS), which holds information about its repository data, and is available via the internet (www.ga.gov.au), giving on-line access for loan requests and interrogation of data holdings.

Information Systems and Integrated Access to Data

The Commonwealth and all States/NT currently provide (or have under advanced stage of development) national or state-wide multi-user databases based on GIS packages and Relational Database Management Systems to provide integrated geoscience information systems for exploration and associated land use management. These information systems provide integrated geological, geophysical, geochemical and titles datasets and mineral deposit datasets on a national, State-wide or mineral province basis. The systems can be accessed at the offices of geological survey or mining authorities and data are available in various formats (UNIX and PC) on different media including CD-ROM and increasingly online. Information on Australia's resource datasets can be obtained through the Australian Spatial Data Directory (ASDD) by following the links to ASDD from www.ga.gov.au. The Geoscience Australia managed ASDD is effectively a metadata catalogue to spatial data that points to resource data held in a number of catalogues (nodes) hosted by various government and private agencies. Government databases are readily available to explorers, normally at a nominal fee to cover handling and administrative costs.





In September 2001, the Commonwealth Government announced a new Spatial Data Access and Pricing Policy providing free access to its on-line fundamental spatial data. Spatial data not available on-line is now provided at the marginal cost of transfer. The policy also removes restrictions on commercial use or value-adding activities related to Commonwealth spatial data.

The website of the Office of Spatial Data Management (www.osdm.gov.au) lists all data available under the terms of the policy and has online links to the spatial data custodian websites.

Already the list of data available under the terms of the policy has grown. For example, key well information about hydrocarbon shows, biostratigraphic age, porosity, and depositional environment was released onto the internet in April 2002, so now even more free-of-charge, easy to access data about Australia's petroleum exploration opportunities is at the fingertips of potential investors around the world.

The Commonwealth's new approach to spatial data access and pricing facilitates Australian petroleum exploration by reducing cost and increasing access to pre-competitive geoscientific and other spatial information assets used by the industry. For example, all internet-supplied datasets listed in the policy are now available free of charge and in the case of non-customised datasets and products not yet delivered over the web, the price is no more than the marginal cost of transfer. The new policy can represent savings of around \$25,000 per study.

Last year's merger of the former AUSLIG (Australia's national mapping agency) with Geoscience Australia is further enhancing Australia's acquisition, processing, analysis and dissemination of fundamental spatial information.

Government Geoscience Initiatives

Easy access to high quality geoscientific information is one of the hallmarks of exploring in Australia. To maintain this quality, the Commonwealth, State and Northern Territory (NT) Governments have commenced several major initiatives to support exploration in the 21st century. These programs are aimed at encouraging diversity of participants in the Australian minerals and petroleum sector.

The National Geoscience Agreement (NGA) inter-governmental (Commonwealth, States/NT) cooperative agreement facilitates the provision of pre-competitive geoscience information to encourage and underpin exploration in minerals and petroleum.

Geoscience Australia has collaborated with its State and NT counterparts to establish a national geoscience portal which was launched in November 2001. The portal, www.geoscience.gov.au, provides one point of entry to fundamental geoscience data and information. Investors and explorers can access geoscience information at a national level and further refine their searches down to regional and local scales via pathways to the relevant State and Territory datasets.

These initiatives to improve access to base level information are greatly assisting explorers.

Commonwealth funding is continuing for the analysis of previously collected geophysical data to support the definition of the outer limit of Australia's marine jurisdiction under the United Nations Convention on the Law of the Sea. This work will control the extent of Australia's continental shelf beyond our Exclusive Economic Zone, parts of which may have significant medium to long-term potential for petroleum exploration.

In addition, most States are actively involved in geoscience mapping initiatives aimed at attracting additional investment in mineral and petroleum exploration. These initiatives include:

- the new South Australian Targeted Exploration Initiative (TEISA2020), which will provide \$A2 million a year for the next five years for the collection of pre-competitive geoscientific data and the management of existing data;
- the Victorian Initiative for Minerals and Petroleum (the program of geophysical and aeromagnetic surveys, petroleum and minerals information management, mapping and data packaging) has been extended to 2005 with a total expenditure of \$A32.5 million;
- the Queensland Prospectivity Plus exploration initiative (a four year \$A8 million program and upgrade and promotion of Queensland's prospectivity, which includes the capture of geophysical data);
- the Exploration New South Wales initiative (a seven year \$A35 million program of geophysical, geological and related information system development to promote the minerals and petroleum industries);
- the Northern Territory Geological Survey, which is undertaking regional studies of the Timor Sea and Bonaparte Basin as part of the Timor Sea symposium, to be held in Darwin in June 2003; and
- under the Western Tasmanian Regional Minerals Program, the Commonwealth Government has allocated over \$A4 million to studies which will add to the geological knowledge of the north-west Tasmania region. This includes work such as seismic reprocessing, sequence stratigraphy and biostratigraphic review, to enhance the petroleum prospectivity of sedimentary basins in Bass Strait and off the West Coast of Tasmania.

These programs have given a major boost to exploration through the provision of modern regional high resolution airborne magnetic, radiometric (and gamma-ray), gravity, seismic and geochemical survey data, and accelerated the conversion and provision of geoscience information using advanced information technology.





Research and Innovation

The petroleum industry is highly dependent on leading edge technology and innovation. In a uniquely Australian model, the Commonwealth Government actively supports this innovation through the Cooperative Research Centre (CRC) Program, which brings together industry, tertiary institutions and research organisations such as the Commonwealth Scientific and Industrial Research Organisation (CSIRO) and Geoscience Australia.

Australian Petroleum Cooperative Research Centre

The Australian Petroleum CRC (APCRC) undertakes a range of research related to petroleum exploration and production. Six major programs are underway:

1. developing a better understanding of the sealing potential of faults and caprocks;
2. improving oil recovery through enhanced reservoir characterization;
3. predicting pore pressure;
4. understanding how liquid hydrocarbons are generated, how they migrate and how they are trapped;
5. improving seismic imaging;
6. investigating geological sequestration, particularly of carbon dioxide.

Together these programs enhance the chances of finding and producing petroleum in Australia's sedimentary basins. The APCRC has a commercial arm to commercialise research outputs, but the Centre's main task is to help ensure the ongoing success of petroleum exploration and production in Australia. Refer to website: www.apcrc.com.au for further information.

The screenshot shows a web browser window displaying the APCRC website. The page title is "Organic Geochemistry, Biostratigraphy and Reservoir-Facies Data for Petroleum Wells". The search interface includes a "WORLD QUERY" section with various input fields and a "2007 ADDRESS RELEASE" section. A map of Australia is shown with green dots representing well locations. The footer lists APCRC Participants: APPEA, CSIRO, CURTIN, GA, NCRPG, and BELNSW.

Cooperative Research Centre for Greenhouse Gas Technologies

This CRC has developed from the Australian Petroleum CRC, which is finalising the successful completion of its mandate and will close in July 2004. The CRC for Greenhouse Gas Technologies (CO2CRC) will be established in 2003 with funds of \$A21.8m to undertake research into geological sequestration of carbon dioxide. The Centre is supported by the petroleum, coal and power industries, government agencies and a number of universities. It has major research programs into the separation and capture of CO₂ and the long term storage of CO₂. Through its five collaborating universities it offers education and training at the graduate level in greenhouse gas technologies.

The Centre works in close cooperation with a number of international projects. Its commercial arm provides the path for the commercial application of Centre research outputs and also offers consultancy services in geological sequestration of carbon dioxide. Further information can be found at: www.crc.gov.au.

Cooperative Research Centre for Spatial Information

This CRC will be established in 2003 with funds of \$A13.3m, to deliver the capability to manage and use spatial information in a totally new way. Its central goal is to facilitate the exchange and use of spatial information to promote better governance, environmental management and enhanced commercial opportunities for Australian businesses both at home and internationally. The industry-identified research programs include Integrated Positioning and Mapping Systems; Metric Imagery as a Spatial Information Source; Spatial Information System Design and Spatial Data Infrastructures. The CRC will form a strong partnership between academia, industry and government to ensure focused and practical outcomes. Further information can be found at: www.crc.gov.au.

Cooperative Research Centre for Welded Structures

Established on 1 July 1999, the CRC for Welded Structures (CRC-WS) is assisting the petroleum and gas industries in researching the design, construction, maintenance and decommissioning of welded structures. For example, natural gas pipelines with thinner walled, higher strength steel have been developed with input from the CRC-WS and were used in the recently completed \$A450 million Eastern Gas Pipeline Project. Industry has calculated that innovations from the CRC-WS have produced savings of over \$A10 million for this single project alone. Refer to website: www.crcws.com.au for further information.

Virtual Centre of Economic Micropalaeontology and Palynology

In 2001, Geoscience Australia established the Virtual Centre of Economic Micropalaeontology and Palynology (VCEMP) to document and define biozones. The Centre has already had a profound effect on how palynological work is being done and has the potential to save the industry time and money. The British Geological Survey and the University of Western Australia collaborated extensively with the Centre at the outset and have formally joined as partners. Outcomes from the VCEMP include new taxonomy of Jurassic and Early Cretaceous dinocysts from the North West Shelf. Refer to website www.ga.gov.au/oceans/projects/20010917_28.jsp for further information.





Australia's Petroleum Potential

Geoscience Australia's current assessment of the amount of oil and gas likely to be discovered in the future in Australia is shown in Table 3 below.

However, limitations in knowledge mean that the assessment of undiscovered petroleum resources is limited to those accumulations whose existence is conceivable and which might be brought into production over the next 30 years. Hence, there may be other accumulations that we cannot conceive of or assess. There may also be considerable additional petroleum in accumulations that would - if discovered - be regarded as uneconomic to produce using existing technology.

Geoscience Australia has reviewed its assessment methodology and has adopted the internationally benchmarked US Geology Survey (USGS) World Petroleum Assessment (2000) to represent the ultimate potential volumes from Australia's major offshore hydrocarbon bearing basins.

It should be noted that the level of exploration drilling in Australia is relatively low compared with other regions in the world. By the end of 2001, just over 8200 exploration and development wells had been drilled in Australia's vast onshore and offshore areas (see Table 4 below). Australia has about 16 million square kilometres of sedimentary basins. By comparison over 60,000 wells have been drilled in the Gulf of Mexico - an area smaller than the Carnarvon Basin off the north-west coast of Australia. By any measure, Australia is under-explored.

Table 3: Assessments of Australia's Undiscovered Resources of Crude Oil, Gas and Condensate, April 2001

	Unit	95 per cent	Probability Average	5 per cent
Crude oil	million barrels	1577	5030	9846
Condensate	million barrels	1740	6035	11870
Gas	trillion cubic feet	33	114	228

Source: Powell, 2001 *APPEA Journal*.

Table 4: Total of Petroleum Exploration and Development Wells Drilled in Australia up to 31 December 2001

	Exploration	Development	Total
Onshore	4310	2041	6351
Offshore	1249	669	1918
Total	5559	2710	8269

Source: Geoscience Australia, Department of Industry, Tourism and Resources, 2002.

Table 5: New Field Wildcat success rates 2000 & 2001

	Onshore	Offshore	Combined
2001	1:1.8	1:3.6	1:2.4
2000	1:3.1	1:2.2	1:2.4

Source: Geoscience Australia, Department of Industry, Tourism and Resources, 2002.

Roles and Responsibilities of Government

Under Australian and international law, rights to petroleum are owned or held by governments but assigned to private interests.

Australian governments neither undertake petroleum projects nor engage in commercial petroleum exploration and development. The private sector initiates exploration and development while government has four main roles in relation to the petroleum sector:

- it establishes the macroeconomic environment (broad economic policy);
- it provides a regulatory framework for exploration, development, project approval processes, safety, environmental assessment and revenue collection;
- it reduces commercial risk in minerals and petroleum exploration by collecting and disseminating geoscientific information; and
- it looks for ways to remove impediments to the industry's competitiveness.

In the Australian federal system both the national government ('the Commonwealth') and the State and Territory governments have important roles affecting petroleum exploration and development:

- the Commonwealth is responsible for broad economic policy and international matters, including personal and company income tax, interest rates, the overall level of government spending, foreign investment guidelines, trade and customs, commercial corporations and international agreements;
- onshore and in coastal waters (effectively the first three nautical miles from the coastline) the States and Territories own and allocate petroleum rights, administer petroleum operations, including occupational health and safety, and collect royalties on petroleum produced; and
- beyond the coastal waters (seaward of the first three nautical miles of the territorial sea) to the outer limits of Australia's continental shelf, petroleum rights are held by the Commonwealth, but day-to-day administration is carried out jointly with the relevant adjacent State or Territory.

Because of their shared interest in the contribution of the petroleum sector to national economic wellbeing, the Commonwealth and State and Territory governments hold regular formal consultations, through the Ministerial Council on Mineral and Petroleum Resources. They do this with a view to ensuring coordination of policy, standards and regulatory requirements in a wide range of areas.

Petroleum exploration and development in the Timor Sea Joint Petroleum Development Area will be governed by a Treaty which will come into force when ratified by both countries (see section on this Area, later in this publication). Acreage in this Area is managed by the Designated Authority for the Joint Petroleum Development Area and conditions may vary from the administrative arrangements described elsewhere in this publication.





Economic Policies and Regulatory Reforms

For well over a decade, Australia has been pursuing a comprehensive program to open its economy to the world. These reforms seek to increase Australia's economic efficiency and international competitiveness.

Measures taken have included:

- liberalisation of foreign investment guidelines;
- reduction in tariffs (generally moving toward a 0 to 5 per cent level);
- removal of export controls on all mineral and petroleum commodities, except uranium and related nuclear materials;
- reforms to the company taxation and resource taxation arrangements, with the company tax rate now among the lowest in the region;
- deregulation of the financial system;
- floating of the Australian dollar (since November 1983);
- maintenance of low inflation;
- industrial relations reforms which increase flexibility and productivity through a greater enterprise focus;
- waterfront and shipping reform;
- stimulation of competition throughout the whole economy, for example in electricity and gas supply, transmission and distribution, and in the provision of legal services;
- encouragement of quality, efficiency and world's best practice throughout the economy;
- regular systematic review of all functions of government with a view to cutting the time and cost of decision-making processes, improving service delivery, and avoiding duplication of effort by the Commonwealth and States;
- fast-tracking of international business travel through flexible temporary business entry visas; and
- introduction of a mechanism to facilitate the approvals process for major projects.

The Australian Government is committed to continuing its program of reform to build intrinsic competitiveness throughout the whole economy, including its services to the resource industries. As a result, Australia is one of the best countries in the world in which to explore and develop petroleum resources.



Foreign Investment Guidelines

Australia's foreign investment policy is designed to encourage investment consistent with the needs of the Australian community. The policy recognises the substantial contribution foreign investment has made, and will continue to make, to the development of Australia's industries and resources.

Foreign companies granted a new petroleum exploration permit by the Commonwealth, State or Northern Territory Governments are not required to seek approval under foreign investment policy to take up the exploration permit. Moreover, proposals to acquire an interest in an existing petroleum exploration permit (through, for example, "farm-in" or "farm-out" arrangements or a rearrangement of interests in an exploration joint venture agreement) are exempt from examination under the *Foreign Acquisitions and Takeovers Act 1975* (FATA).

Generally, foreign companies include companies that have an aggregate 40 per cent or higher level of foreign ownership, or where one foreign corporation or person and their associates has a 15 per cent or higher share in the company. Foreign companies are required to notify the Foreign Investment Review Board (FIRB) of proposals to participate in new petroleum development activities where the total proposed investment is \$A10 million or more. New development projects will normally be allowed to proceed unless judged contrary to the national interest. Investments in new businesses valued at between \$A10 million and \$A100 million will normally be approved without detailed examination. Proposals over \$A100 million require more detailed examination but are normally approved unless considered contrary to the national interest.

Proposals to acquire assets or a 15 per cent or higher share in companies involved in petroleum exploration or production come within the scope of the FATA where the target business has total assets of \$A50 million or more. Acquisition of assets, or shares in companies with assets between \$A50 million and \$A100 million will be normally approved without detailed examination. Proposals involving investments in excess of \$A100 million require more detailed examination but are usually approved unless considered contrary to the national interest.

Where there is a proposed purchase or expansion of an existing project, any foreign company will require approval from the Government for the investment where land is required to be purchased, or a lease is required over land for a period of greater than five years, in order to accommodate the project.

Further information on the Government's foreign investment policy may be obtained from:

The Executive Member

Foreign Investment Review Board
c/- The Treasury

Langton Crescent
PARKES ACT 2600
AUSTRALIA

Telephone: +61 2 6263 3795

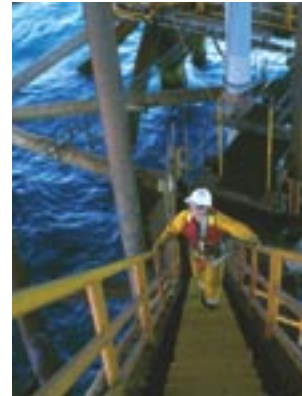
Facsimile: +61 2 6263 2940





Arrangements for International Business Visas

A *Business (Short Stay) (subclass 456)* visa enables genuine business people who need to visit Australia for business, or for a mix of business and tourism, to visit Australia for up to a maximum of three months from the date of entry into Australia. Business purposes include exploring business opportunities or conducting business negotiations, site visits and equipment inspections; signing business contracts or attending conferences, events or meetings in relation to their field of employment. The *Business (Short Stay) (subclass 456)* visa does not permit the holder to work in Australia.



The application form 456 – *Application for a Business (Short Stay)* visa is available from Australian overseas missions and from the Department of Immigration and Multicultural and Indigenous Affairs (DIMIA) website at www.immi.gov.au/allforms/pdf/456.pdf. Applications may only be lodged at an Australian overseas visa office, not in Australia. Applicants may also be required to supply a range of documentation in support of their business visa application. General information about the requirements for lodging a business visa application is available at www.immi.gov.au/allforms/temp_bus.htm.

The subclass 456 visa may be valid for single or multiple entries and permits a stay of up to three months from the date of arrival in Australia. The travel validity for the multiple entry visa is for a specified period of up to ten years or the life of the passport, whichever is the shorter. This visa attracts a Visa Application Charge of \$A65.

General Information on Business Electronic Travel Authorities

A Business Electronic Travel Authority (ETA) is an electronic or invisible authority that is available to passport holders from thirty-three countries and locations, and which replaces the traditional label visa. There are two types of Business ETA available. Eligibility can be checked at the DIMIA website www.eta.immi.gov.au. There are no application forms to complete for a business ETA. Passport holders from countries with whom Australia does not have an ETA arrangement will need to apply for a *Business (Short Stay) (subclass 456)* visa.

Business ETA – Short Validity 977

There is no Australian government charge for this ETA. It can be obtained from travel agencies or airlines when making travel bookings, or it can be applied for over the internet at DIMIA's website: www.eta.immi.gov.au. This attracts an internet service charge of \$A20.

This ETA is valid for a single entry into Australia, permits a maximum stay of up to three months, and is valid for travel within twelve months from the date of issue.

Business ETA – Long Validity 956

This ETA can be obtained from travel agencies or airlines when making travel bookings. It is not available via the internet.

It allows for a maximum stay of up to three months from the date of each entry into Australia, permits multiple journeys to Australia, and is valid for a specified period of up to 10 years or the life of the applicant's passport, whichever is the shorter. A Visa Application Charge of \$A65 applies to this ETA.

What can Invest Australia do for you?

Invest Australia is the Australian Government's national investment agency, responsible for attracting foreign investment into Australia.

Invest Australia Services

Invest Australia provides services to assist foreign investors establish or expand operations in Australia. Services include:

- identifying and promoting appropriate business and investment partners in key Australian industry sectors;
- providing information including Australian industry capabilities, skills availability and Commonwealth regulatory investment issues;
- providing a facilitation service to investors including Australian Government recognition for strategic projects;
- providing investment incentives on a case-by-case basis for strategic investment projects; and
- providing access to tailored business immigration agreements.

Investment Attraction Services

The Strategic Investment Coordinator, appointed by and responsible to the Prime Minister, advises the Government on the provision of incentives to attract projects to Australia that might otherwise go elsewhere and on policies to increase Australia's investment attractiveness.

The Strategic Investment Coordinator considers proposals for investment incentives on a case-by-case basis against a published set of criteria known as the Strategic Investment Coordination process.

Investment Facilitation Services

Project facilitation services provided by *Invest Australia* include:

- information on approvals requirements and identifying the appropriate approval agency;
- coordination across the tiers of Government; and
- identifying government policies, programs or entitlements that may benefit a project.

Invest Australia is also able to provide investors with access to tailored immigration agreements to streamline expatriate and employee arrangements.

Investors may also be eligible for a range of government industry programs in areas like R&D, export development, training and education. Information including eligibility criteria for various types of assistance is available from *Invest Australia*.





Regional Investment

Through its Inside Intelligence program, *Invest Australia* works in partnership with State and Territory agencies to assist communities in: self assessing their investment potential; developing regional investment strategies; and identifying and promoting specific investment ready opportunities.

RHQ - Regional Headquarters Program

Invest Australia's Regional Headquarters program provides access to tailored immigration agreements for companies wishing to choose Australia as a base for regional operations. *Invest Australia* can assist you in making an informed decision when choosing a location for your Asia Pacific regional headquarters and/or operating centre.

Strategic Investment Coordination

The Australian Government will consider the provision of investment incentives to strategic investment projects in limited and special circumstances where the project would generate significant net economic and employment benefits for Australia that would have otherwise located offshore.

The importance of regional development to Australia and the impact of the Government's broader taxation reforms will also be taken into consideration when assessing projects for incentives.

Incentives include grants, tax relief or the provision of infrastructure services. Incentives are considered on a case-by-case basis, taking into account a published set of eligibility criteria.

Other Government Assistance

Invest Australia works closely with prospective investors to access a range of government programs relevant to their needs, such as:

- research and development grants;
- export development;
- training and education; and
- infrastructure.

For further information contact:

General Manager

Resource Industries

Invest Australia

GPO Box 9839

CANBERRA ACT 2601

AUSTRALIA

Telephone: +61 2 6213 7560

Facsimile: +61 2 6213 7843

E-mail: investaustralia@industry.gov.au



Invest Australia has offices in Canberra, Sydney, Melbourne, New York, San Francisco, London, Frankfurt, Paris, Tokyo, Beijing, Shanghai, Hong Kong, Taipei and Singapore.

In areas where *Invest Australia* does not have offices, assistance can be sought from the local Australian Embassy or High Commission, or the Australian Trade Commission office.

To obtain further information on *Invest Australia* and its international contacts visit its website at: www.investaustralia.gov.au.

Local Content in Petroleum Developments

The Commonwealth Government has an interest in facilitating opportunities for Australian industry to participate in the development and operation of petroleum projects in Australia.

In April 2001, Australian Industry Ministers launched the *Australian Industry Participation Framework*, that provides a unified approach to maximising Australian industry participation in major investment projects. Further details are at www.aip.gov.au.

In relation to enhancing local content levels, the Commonwealth Government's policy is that project developers should provide a full, fair and reasonable opportunity for Australian firms to bid for the supply of goods and services. However, the Government does not mandate levels of local content. It recognises that decisions on the supply of goods and services are properly made by the project developer as the success of new projects is critically dependent on being internationally competitive and fully responsive to market forces.

In Australia, relevant industry organisations work together to facilitate participation of local industry in resources and energy projects. Industrial Supplies Offices (ISO) have a central role in matching local capability with the needs of industry. ISONET is a national body coordinating the work of ISO offices in every State and Territory of Australia and New Zealand.

ISONET and ISOs are independently managed, non-profit organisations financially supported by Australian, New Zealand and State/Territory Governments. Throughout industry and government the ISO network is recognised as a credible source of advice on Australian industry capability. An extensive listing of over 33,000 Australian and New Zealand companies is maintained in a validated data base and is utilised to find solutions on client's project and supply issues. The ISO network assists purchasers to identify the capability of local industry. Its services include:

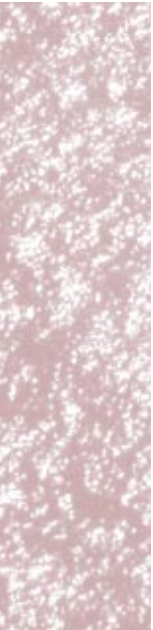
- identifying Australian capability to match specified criteria within the purchaser's time frame;
- identifying, assessing and encouraging local companies with potential for licensed manufacture of overseas technologies, joint ventures or other partnering arrangements;
- providing assistance to companies/organisations during all stages of the tendering process; and
- assisting Australian companies tap into global supply chains.

ISONET also administers the Supplier Access to Major Project (SAMP) Program. This program delivers a range of benefits that includes dedicated support for aspects of Supply Chain Management. For information on ISONET or the SAMP program please contact:

Executive Director
ISONET Limited
PO Box 130
DEAKIN WEST ACT 2600
AUSTRALIA

Telephone: +61 2 6285 2033
Facsimile: +61 2 6285 2842
Web Page: www.iso.net.au
E-mail: info@iso.net.au





The petroleum industry plays a direct role in the facilitation of Australian industry involvement in petroleum and gas projects through the Australian Petroleum Production and Exploration Association (APPEA). APPEA has developed Australian Competitive Energy (ACE), which seeks to develop best practice guidance for the petroleum industry to address a range of issues, including the introduction of Australian industry participation management systems. The Commonwealth Government has endorsed the *APPEA/ACE Best Practice Guide for Maximising Australian Industry Participation in Petroleum Exploration and Production*. This Guide is also drawn to the attention of developers seeking production licences.

For further information on the APPEA/ACE Guide please contact:

APPEA

Level 3

24 Marcus Clarke Street

CANBERRA ACT 2600

Telephone: 61 2 6247 0960

Facsimile: 61 2 6247 0548

Web Page: www.appea.com.au/ace

E-mail: ace@appea.com.au

APPEA also provides an annual update of details of new petroleum projects being considered by developers and organises seminars and workshops which bring suppliers and developers together.



Petroleum Taxation Arrangements

Australia has an internationally competitive profit-related tax system for petroleum that recognises the risks of exploration.

Resource Charges

Petroleum production projects operating in Australia are subject to a resource charge, which aims to provide the Australian community with a fair and reasonable return from the development of non-renewable petroleum resources.

Australia's fiscal arrangements are among the more competitive petroleum taxation regimes applied worldwide and provide a community return commensurate with the petroleum industry's assessment of Australia's prospectivity.



Petroleum Resource Rent Tax

In 1988, the Australian Government introduced a profit based Petroleum Resource Rent Tax (PRRT) to replace royalties and crude oil excise in most areas of Commonwealth waters because it recognised the need for a stable and internationally competitive petroleum taxation regime. To further enhance international competitiveness the Government also introduced company wide exploration deductibility in 1990.

The PRRT applies to petroleum projects in Australia's offshore areas beyond coastal waters, with the exception of the North West Shelf production licence areas and associated exploration permits (ie exploration permits WA-1-P and WA-28-P, and licences and leases derived from these two permits).

PRRT is assessed on a project basis. It is applied at a rate of 40 per cent to a project's net income (ie after project expenditure and exploration expenditures transferable from other PRRT liable areas have been deducted). All project offshore petroleum production is included in the income base, and all project expenditures are deductible.

Undeducted expenditures compound at the following rates:

- **expenditures incurred more than five years** before the application for a project production licence compound at a rate equal to the Gross Domestic Product (GDP) deflator;
- undeducted **exploration expenditures** incurred less than five years before the application for a project production licence compound at the Australian long-term bond rate (LTBR) plus 15 percentage points (currently about 21 per cent); or
- undeducted **general expenditures** incurred less than five years before the application for a project production licence compound at the LTBR plus five percentage points (currently about 11 per cent).

Projects can access **wider exploration deductibility**, where certain undeducted exploration expenditures are transferable between projects. To be eligible to receive a wider exploration deduction:



- the project must be making a taxable profit;
- the company must have held an interest in the transferring area and the receiving project from the time the expenditure was incurred until the time of the transfer (an interest is defined as the entitlement to receive receipts from the sale of petroleum recovered in relation to the project);
- transfers must go to the project that has the most recent production licence.

Project closing down costs are deductible, including environmental restoration of a project site. PRRT liability for a project is not influenced by changes in ownership or farm-in agreements. Joint Venturers will be assessed on an individual participant basis.

PRRT payments are deductible for **company tax** purposes. PRRT instalments are payable quarterly, in the year of tax liability.

For gas feedstock in integrated gas to liquids, when no relevant 'arms length' market price exists, the Commissioner of Taxation will determine the gas transfer price using established financial formulae.

The Department of Industry, Tourism and Resources' petroleum taxation website is located at www.industry.gov.au/pettax. This website includes:

- a guide to taxation of offshore petroleum production;
- the relevant legislation, such as the *Petroleum Resource Rent Tax Assessment Act 1987*, the *Petroleum Resource Rent Legislation Amendment Act 1991*;
- copies of the explanatory memoranda relating to the above legislation;
- secondary petroleum taxation statistics;
- a downloadable PRRT model;
- a 'what's new' section which contains the latest happenings in the world of petroleum taxation; and
- a simple example of a PRRT calculation.

Excise and Royalty

Crude oil excise and state royalties apply onshore and in coastal waters, and Commonwealth Royalty and crude oil excise apply to the North West Shelf project. The rate of excise depends on the annual rate of production of crude oil, the date of discovery of the petroleum reservoir and the date on which production commenced. Royalty is levied at a rate of between 10 and 12.5 per cent of net wellhead value of all petroleum produced.

Further information on resource charges, the PRRT, crude oil excise and royalty arrangements can be obtained from:

General Manager
Safety, Taxation and Projects Branch
Resources Division
Department of Industry, Tourism and Resources
GPO Box 9839
CANBERRA ACT 2601
AUSTRALIA

Telephone: +61 2 6213 7924
Facsimile: +61 2 6213 7950
Web Page: www.industry.gov.au/pettax

Further information on State royalties is available from the relevant State or Northern Territory Mines Department - refer Appendix B.



General Taxation Arrangements

The following description of taxation arrangements applicable to petroleum exploration and development in Australia is provided as a guide only. It contains general information that may not be applicable in all circumstances. Potential investors in petroleum exploration and development in Australia are advised to seek professional advice on how the Australian taxation system will affect their particular projects.

Australian Taxation Reform

The *Review of Business Taxation* reported to the Commonwealth Government in September 1999. Many of the recommendations have been implemented, some will be implemented at a later date, and some have been deferred pending further consultation with industry. The indirect tax reforms, 'The New Tax System', were implemented on 1 July 2000.

Indirect Taxation

The main features of The New Tax System include:

- the introduction of a broad based Goods and Services Tax (GST) at a rate of 10 per cent;
- the abolition of a range of indirect taxes including the Wholesales Sales Tax (WST) and some State and Territory taxes; and
- reform to personal income taxation.

The GST applies to the supply of most goods and services consumed in Australia. Businesses with annual turnover of \$A50,000 or more are required to register for the GST. Registered businesses are able to claim input tax credits for any GST included in their costs of production. Goods and services that are exported are GST-free which means that the exporter can claim an input tax credit for the GST included in the price of the goods and services used to produce the exports even though they do not include GST on the price of the exports.

Some other supplies, including most financial supplies, supplies of residential rents and residential premises and some supplies of precious metals are input taxed. This means that GST is not included in the final price but input tax credits are not available for the input to producing the supply.

The New Tax System also introduced the Australian Business Number (ABN). The ABN is a single number for each business entity. It will eventually be used as a single identifying number for dealings with government at all levels. The ABN enables registered companies to participate in the GST system (for example, to claim their input tax credits), among other things.

Another feature of The New Tax System is the 'Pay as You Go' (PAYG) system. PAYG is a single, integrated system for reporting and paying tax on business and investment income, and withholding amounts. It replaced 11 different systems, such as the provisional tax, superannuation fund instalments and 'Pay as You Earn' systems, simplifying taxation arrangements for companies.

The Australian Taxation Office (ATO) has issued a series of industry publications explaining The New Tax System, including one dealing with relevant issues for the Mining and Energy sectors, called *Mining and Energy and The New Tax System*.

This publication and other relevant information can be accessed in electronic form from the ATO's website: www.ato.gov.au.



Company Taxation

One of the key changes of recent business tax reforms has been the reduction in the company tax rate to 30 per cent from 2001-02.

Accelerated depreciation has been abolished for any new plant and equipment acquired after 21 September 1999 with assets to be written-off over their effective life. For assets acquired or commenced construction after 21 September 1999, the Uniform Capital Allowance regime enables taxpayers to use the effective life schedule that applied at the time the asset was acquired or commenced construction, provided that it is used or ready for use within five years. Companies may also elect to self-assess the effective life of their plant and equipment if their circumstances mean that the Tax Commissioner's depreciation schedule is not appropriate.

The Treasurer announced in the 2002-03 Budget that the Government will introduce legislation to bring about effective life caps to ensure that depreciation deductions for a limited range of assets remain appropriate in the context of the Commissioner of Taxation's ongoing review of effective lives of assets.

For a number of key activities in the petroleum sector, statutory effective life caps were provided. The caps announced were:

- an effective life cap of 20 years for gas transmission and distribution assets;
- a cap of 15 years for oil and gas production assets, except for offshore platform assets where the current 20 year life remains unchanged; and
- a 15 year cap for LNG assets.

A number of additional special deductions are available for companies involved in petroleum exploration and development activities:

- immediate deduction of petroleum exploration and prospecting expenditures;
- immediate deduction of operating costs;
- until 30 June 2001, capital expenditure on certain petroleum transport facilities can be deducted in equal instalments over ten years, after that date such expenditure will be deducted over the effective life of the asset;



- immediate deduction of capital and current environmental protection expenditure (except for plant which is subject to depreciation) on pollution control or waste management incurred on or after 19 August 1992;
- a deduction for Environment Impact Statement capital costs over ten years or the life of the project, whichever is the lesser;
- immediate deduction of certain mine-site rehabilitation costs including, subject to meeting eligibility requirements, expenditure associated with the removal of offshore platforms incurred on or after 1 July 1991; and
- deductions for exploration and allowable capital expenditure will be deductible without limit, with any excess to contribute to a tax loss for the year (applies to 1999-00 and subsequent tax years).



Capital Gains Tax

As a part of the New Business Tax System, the Government introduced a number of capital gains tax (CGT) reforms, including:

- indexation of the cost base for calculating CGT for all taxpayers frozen at 30 September 1999;
- for individuals, only 50 per cent of capital gains being taxed with the result that the highest rate of tax for individuals will effectively be 24.25 per cent for assets held for at least one year;
- for superannuation funds, only two thirds of capital gains being taxed, effectively meaning a concessional tax rate of 10 per cent for assets held for at least one year;
 - alternatively, individuals and superannuation funds may elect to be taxed on the whole of the difference between the disposal price and the frozen indexed cost base;
- improving the current small business concessions, so that individuals owning a small business (net assets of \$A5 million or less) will be liable to tax on a maximum of 25 per cent of their capital gains when they sell the business;
- introducing for small business, a full exemption from capital gains tax on the disposal of a business asset which has been held continuously for 15 years and where the taxpayer is at least 55 years of age and intends to retire, or is incapacitated;
- introducing CGT roll-over relief for scrip-for-scrip takeovers.

For companies there is no specific CGT discount and any capital gains are included as assessable income and taxed at the company tax rate.

A capital loss can be used to reduce the amount of any capital gains in the immediate or subsequent years of income but is not deductible from assessable income.

Dividend Imputation

Australia has a dividend imputation system (introduced in 1987) for company taxation. The basis of the imputation system of company taxation is that Australian resident individuals who receive assessable dividends from a company are entitled to a rebate for the tax paid by the company on its income. In effect the resident individual includes the gross amount of the dividend in their assessable income and receives an imputation credit for the amount of company tax paid with respect to that dividend. Since 1 July 2000, excess imputation credits can be refunded to resident individuals and complying superannuation funds.

In general, franked dividends are exempt from dividend withholding tax.



Double Taxation Agreements and Foreign Tax Credits

Australia has comprehensive agreements with a number of countries that aim to eliminate double taxation. There are two main methods for relieving double taxation that are adopted in these agreements. First, the taxing rights over certain classes of income are reserved entirely to the country of residence of the person deriving the income. Second, all other income may be taxed by the country in which the income has its source; if the country of residence of the recipient also taxes that income, it is generally required to grant a credit against its tax for the tax levied by the source country.

A key aspect of the revenue allocation rules is the rule whereby the country of source is granted an unrestricted right to tax the business profits of a permanent establishment situated within the country. Conversely, the country of source may not tax business profits emanating from it if there is no permanent establishment; in such cases, the exclusive right to tax the profits is assigned to the country of residence.

Non-residents are liable for tax on dividend, interest and royalty income. This tax is withheld before the income is remitted overseas.

The Australian Government is reviewing its double taxation agreements to ensure that Australia remains an internationally competitive place to invest.

Payroll Tax

The States and Territories levy payroll tax. The rate of the tax, and how it is levied, varies between States, with 6 per cent the average rate. Smaller operations, defined in most States, as operations with an annual wages bill of less than \$A600,000, are exempt. Most States levy payroll tax on employee non-cash fringe benefits.

Further information on payroll tax can be obtained from the relevant State Revenue Office.

Fringe Benefits Tax

A benefit provided by an employer to an employee in respect of their employment is a fringe benefit. Employers are required to pay fringe benefits tax (FBT) on the value of certain fringe benefits provided to employees. From the 1999-00 FBT year, employers are required to report on group certificates the grossed-up taxable value of an employee's fringe benefits where the value of the benefits exceeds \$A1,000. This will be used to determine liability for tax surcharges (such as the Medicare levy surcharge) and income-related obligations such as child support.

The FBT year is from 1 April to 31 March, and payments are made in quarterly instalments. However, instalments do not have to be paid by employers whose FBT liability in the previous year was less than \$A3,000. Such employers need only pay on an annual basis.

The FBT rate is equal to the top marginal personal tax rate plus the Medicare levy, which is currently 48.5 per cent. There is a full FBT exemption for the provision of remote area housing benefits.

Further Information on General Taxation Matters

Inquiries on general taxation matters should be directed to the Australian Taxation Office in the relevant State capital city. Alternatively, information can be found on the ATO website. Contact details for the ATO are set out in Appendix D.

Petroleum Law in Australia

The legal framework within which petroleum exploration and development activity takes place in Australia is a result of certain agreements and the division of responsibilities between the Commonwealth Government and the State/Northern Territory (NT) Governments under the Australian Constitution.

Responsibility for Australia's offshore areas beyond three nautical miles from the territorial sea baseline rests with the Commonwealth, whereas onshore and as far as three nautical miles seaward of the baseline (referred to as 'coastal waters') petroleum operations are the responsibility of the individual State and Territory Governments.

Offshore petroleum operations beyond coastal waters are governed by Commonwealth legislation known as the *Petroleum (Submerged Lands) Act 1967*. Within this legal framework, the Commonwealth and the States/Northern Territory jointly administer and supervise industry activities through a Joint Authority arrangement. Each Joint Authority comprises the Commonwealth Minister and the relevant State/NT Minister. In addition, the relevant State/NT Minister carries out most day-to-day administrations in accordance with the Act.

The legislation provides for orderly exploration for and development of petroleum resources, and sets out a basic framework of rights, entitlements and responsibilities of governments and industry.

The more important matters covered in the legislation are:

- issue of invitations to apply for exploration permits;
- issue of permits to successful applicants, and determination of conditions of the title;
- granting of retention leases over currently non-commercial discoveries;
- granting of production and pipeline licences to successful explorers;
- granting of infrastructure licences for various processing activities;
- renewal of titles (where appropriate);
- approval of applications for the registration of legal transactions, including farmouts and transfers of titles, preparation and issue of special prospecting authorities, access authorities, authorities for scientific investigations, variations of title conditions, exemption from title commitments, cancellation of titles for non-compliance with the conditions of the title; and
- issue of directions and regulations.





Exploration permits are normally issued under a work program system.

Except for environmentally sensitive areas (such as the Great Barrier Reef Marine Park) petroleum operations are permitted on most parts of the continental shelf. Of course, operations must comply with the requirements and standards set by law, and factors such as navigation, fisheries and environment are carefully considered, particularly where petroleum production is proposed.

Additional information on matters coming within the Commonwealth's responsibilities in offshore exploration and development is set out in:

- the *Petroleum (Submerged Lands) Act 1967*, as amended from time to time, the associated Explanatory Memoranda and Second Reading Speeches;
- the Petroleum (Submerged Lands) Regulations issued under the Act (notably in relation to management of the environment, safety and pipelines);
- a Schedule of Directions issued under the Act - "Specific Requirements as to Offshore Petroleum Exploration and Production";
- the Petroleum (Submerged Lands) Fees Act 1994 and Regulations;
- the Petroleum Resource Rent Tax Act 1987 and company taxation legislation; and
- Administrative Guidelines issued to assist with the administration of the legislation.

Most of these documents can be viewed on the web site: www.industry.gov.au/petlegislation.

The *Petroleum (Submerged Lands) Act 1967* is in the process of being rewritten to simplify the presentation of the legislation after more than 30 years of operation and amendments. This will reduce compliance costs and improve the user friendliness of the Act, without changing any major policies or the current management regime. The rewritten Act is not likely to come into effect before 2004.

For further information contact:

General Manager
Offshore Resources Branch
Resources Division
Department of Industry, Tourism and Resources
GPO BOX 9839
CANBERRA ACT 2601
AUSTRALIA

Telephone: +61 2 6213 7928

Facsimile: +61 2 6213 7955

E-mail: petroleum.exploration@industry.gov.au

In Australia's onshore areas and within coastal waters, petroleum operations are governed by the legislation of States and Territories. A two-stage system of exploration permit and production licence has generally been adopted. However, the minimum area, initial term of the permits, and charges and royalties levied vary from State to State.

Further information on matters in areas of State/Northern Territory responsibilities can be obtained from the relevant State or Northern Territory Mines Department - see Appendix B.



Offshore Petroleum Titles

Petroleum industry activities in Australia, beyond coastal waters, are governed by Commonwealth legislation - the *Petroleum (Submerged Lands) Act 1967*.

This Act enables areas to be released for the purpose of petroleum exploration. Government policy is to release exploration areas on an annual basis with two closing bid rounds. Areas released are notified in the relevant Commonwealth/State Gazette, and a comprehensive information package is made available on CD-ROM and on the Departmental website (details set out below). Applications are assessed on a work program basis.

The legislation currently makes provision for five types of title to be granted to companies:

- exploration permits - provide exclusive rights to undertake seismic surveys and drilling in a defined area;
- retention leases - granted to holder of exploration permit, where a discovery is not currently commercial but is expected to become so;
- production licences - granted to holder of exploration permit or retention lease, for the recovery of petroleum following a commercial discovery;
- infrastructure licences - granted to enable the construction of offshore facilities for the storage and processing of petroleum; and for the construction of facilities for the recovery of petroleum in areas outside a production licence; and
- pipeline licences - granted for the transport of petroleum by pipeline between facilities or to processing plants.

In areas not covered by titles, companies may be granted a special prospecting authority to undertake seismic or other geophysical or geochemical survey work. This is a non-exclusive right to explore an area prior to the invitation for applications for an exploration permit. A special prospecting authority over an area does not provide any rights in relation to the award of an exploration permit.

Annual Offshore Petroleum Exploration Acreage Release Process

Offshore petroleum exploration acreage is released annually by the various Commonwealth-State/Northern Territory (NT) Joint Authorities. This is a key part of the Australian Government's strategy to encourage investment in petroleum exploration.

The annual release of acreage for petroleum exploration enables longer term planning for the industry, certainty in the release process, access to comprehensive geological and geophysical data on CD-ROM and website, and high quality information about issues that may impact on successful applicants.

To ensure that bidders are aware of the rights and interests of others in the release areas, both the Commonwealth and States/NT consult respectively with Commonwealth and State/NT agencies that have responsibilities or interests in offshore areas. These agencies cover environment, fisheries, defence, maritime safety, communications, and native title interests. The responses from these agencies are compiled by the Department of Industry, Tourism and Resources, Offshore Resources Branch.





Potential applicants are advised of titleholder obligations and the rights and interests of others (both in general and for specific areas) in the Special Notices section of the Guidance Notes for Applicants. Successful applicants are responsible for incorporating these notices into their work program timeframe and for consulting with the relevant bodies prior to undertaking exploration activities.

The main steps of the release process that industry representatives should be aware of are:

- nominations of areas to be considered for the next release package are sought during June/July through the Australian Petroleum News;
- the shortlisted areas proposed for release are advised to industry through the Australian Petroleum News around late November or December;
- the annual release announcement traditionally coincides with the Australian Petroleum Production and Exploration Association (APPEA) Conference;
- on release of the areas, companies have either six months or twelve months to prepare their bids, dependent on the release area bid closing date; and
- companies can request information seminars on the areas available, at both domestic and international promotions venues (these venues are advised through the Australian Petroleum News).

If you wish to be notified by e-mail when new editions of the Australian Petroleum News are posted to the website and/or be sent a CD-ROM of the acreage release information package, please e-mail your request and contact details to petroleum.exploration@industry.gov.au.

Exploration Permits

Prospective acreage released each year is available for bidding under a work program bidding system.

The work program bidding system is the usual method of awarding offshore exploration permits in Australia. Under this system, an applicant is required to propose an exploration program over six years. The first three years of the program is known as the "minimum guaranteed work program", and all program components in the first three years must be completed to avoid cancellation of the permit. The applicant also identifies a "secondary" work program to cover the second three years of the permit, this work is guaranteed on a year to year basis which provides a greater degree of flexibility for the permittee.

Exploration permits are issued for an initial term of six years, and may be renewed for further five year periods. At each renewal 50 per cent of the permit area must be relinquished. **A recent amendment to the Petroleum (Submerged Lands) Act 1967 now means that permits issued from the 2003 acreage release, and onwards, may not be renewed more than twice.**

There is also provision for a cash bidding system. It has only been used for a limited number of highly prospective areas and has not been used since 1992.

Production Licences, Infrastructure Licences, Pipeline Licences and Retention Leases

Upon discovering petroleum, a permittee must notify the authorities, giving details of the discovery. Before applying for a retention lease or production licence, the permittee must identify the block or blocks which cover the area of a discovery.

A location is declared over the discovery and the permittee may undertake further exploration and/or appraisal activities within the location blocks to determine more accurately the nature of the discovery. The permittee may also apply to vary the size of the location, or even to have the location revoked, if the discovery is thought to be ultimately non-commercial.

If the discovery is considered by the permittee to be commercial, the permittee may apply for a production licence. The permittee has two years after the declaration of a location (or a possible further two years in special circumstances) in which to apply for a production licence, and provide details of development proposals for the area. Production licences are issued for the duration of production plus a period of five years.

If a permittee makes a non-commercial discovery that has a reasonable chance of becoming commercially viable within the next fifteen years, an application may be made for a retention lease rather than a production licence. As





with a production licence, the permittee has two years (or a possible further two years in special circumstances) after declaration of the location in which to apply for a retention lease, and provide an assessment of the commercial prospects of development.

Retention leases are issued for five years, with renewal periods of five years. At the time of application for a grant and at each renewal of a retention lease, the lessee must demonstrate that the discovery is not currently commercially viable, but is likely to become commercially viable within the next fifteen years.

Where a location is not revoked and if the permittee does not apply for a production licence or a retention lease within the specified time, the exploration permit in respect of the blocks covered by the location will be terminated.

Where production facilities require a pipeline to transport petroleum to shore or other facilities, a pipeline licence will be granted indefinitely. But it may be terminated if no construction occurs or it is not used for a continuous period of at least five years.

An infrastructure licence enables a company to carry out certain petroleum activities, such as conversion of gas to Liquefied Natural Gas (LNG) or methanol, or to store and process petroleum.

Titleholders' Obligations

The legislation provides that all titleholders must carry out operations according to good oilfield practice, including carrying out operations in a manner which is safe and prevents the escape of petroleum into the environment. In order to retain title, conditions of work must be met and annual rental fees paid. Additional information on matters relating to the Commonwealth's offshore petroleum legislation is contained in:

- the *Petroleum (Submerged Lands) Act 1967*, as amended from time to time, the associated Explanatory Memoranda and Second Reading Speeches;
- the Petroleum (Submerged Lands) Regulations issued under the Act (notably on Environment, Fees, Safety and Pipelines);
- a Schedule of Directions issued under the Act - "Specific Requirements as to Offshore Petroleum Exploration and Production";
- Administrative Guidelines issued to assist with the administration of the legislation; and
- Prospective applicants should be aware of the Special Notices that are set out in the 'Guidance Notes for Applicants' section of the 2003 Acreage Release Package.

Most of these documents can be viewed on the websites: www.industry.gov.au/petexp and www.industry.gov.au/petlegislation.

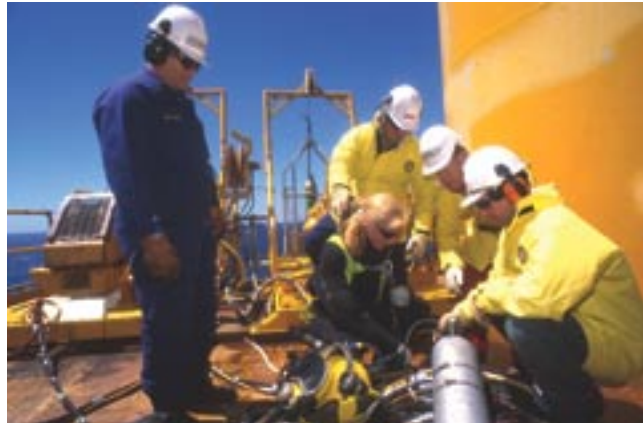
For further information on petroleum exploration and development matters contact:

General Manager
Offshore Resources Branch
Resources Division
Department of Industry, Tourism and Resources
GPO Box 9839
CANBERRA ACT 2601
AUSTRALIA

Telephone: +61 2 6213 7928
Facsimile: +61 2 6213 7955
E-mail: petroleum.exploration@industry.gov.au

Offshore Safety Administration

Safety in the offshore petroleum industry in Australia is regulated under the safety case regime which is underpinned by the objective based Petroleum Submerged Lands (Management of Safety on Offshore Facilities) Regulations 1996. Objective based (or goal setting) regimes, including the safety case regime, are based on the principle that the legislation sets the broad safety goals to be attained and the operator of the facility develops the most appropriate methods of achieving those goals. A basic tenet is the premise that the ongoing management of safety is the responsibility of the operator and not the regulator.



Within this objective-based regime there is a requirement that the operator of an offshore petroleum facility must make a formal "case" to the regulator which outlines the types of safety studies and analyses undertaken, the results obtained and the management arrangements in place to assure the continued safety of personnel on a particular facility. Once a safety case has been accepted by the regulator, it forms the 'rules' with which the operator must comply in operation of the facility and against which those operations are audited by the regulator.

In 1999, the Department of Industry, Tourism and Resources commissioned a review of safety administration in offshore Commonwealth waters. The review, released in September 2001, recommended that Australia replace the existing system whereby each State and the Northern Territory regulate offshore petroleum safety, with a single national offshore petroleum safety authority under joint Federal and State/Territory control.

In October 2001, the Department of Industry, Tourism and Resources launched a project to establish the authority. The Authority will be accountable to the Commonwealth, State and Northern Territory Ministers and will improve safety across the offshore petroleum industry and deliver world-best practice safety regulation in Australia.

A single authority will reduce the regulatory burden on industry operating across multiple jurisdictions. It will provide consistent and comprehensive benefits, ensuring better safety outcomes for individuals working on offshore platforms and reducing risks to the environment.

For further information on offshore safety matters contact:

General Manager
Safety, Taxation and Projects Branch
Resources Division
Department of Industry, Tourism and Resources
GPO Box 9839
CANBERRA ACT 2601

Telephone: +61 2 6213 7924

Facsimile: +61 2 6213 7950

Web Page: www.industry.gov.au/offshoresafety



Environment Protection Requirements

Australian Governments require petroleum companies to conduct their activities in a manner that meets a high standard of environmental protection.

The petroleum industry's environmental record in Australia, particularly in offshore areas, has been exemplary. It could be expected that any petroleum proposal in offshore areas would be approved provided high environmental standards are met. The objective based Environment Regulations (outlined below) provide companies with flexibility in how to meet environmental protection requirements.



Australian Regulatory Environment

Onshore (and coastal waters)

In Australia, the State and Territory Governments own and administer petroleum rights over land and coastal waters (landward of a three nautical mile boundary). In these areas, although the Commonwealth Government has some responsibilities regarding environmental protection, the State and Territory Governments are the main authorities for environmental management of most projects. Although the law and the process varies amongst the States and the Northern Territory, the basic elements are similar for identifying, planning and managing likely environmental impacts.

Offshore

The Commonwealth has jurisdiction for the regulation of petroleum activities in waters beyond the three nautical mile limit. Day-to-day administration and environmental regulation is, however, carried out by the relevant State or Territory Designated Authority (the State or Territory Minister for Mines or equivalent).

Regulation of Offshore Petroleum Projects in Commonwealth Waters

Current Commonwealth Government legislation relevant to environmental management of offshore petroleum exploration and development activities includes:

- *Petroleum (Submerged Lands) Act 1967* (PSLA) and its Regulations;
- *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act);
- *Environment Protection (Sea Dumping) Act 1981*;
- *Protection of the Sea (Prevention of Pollution from Ships) Act 1983*; and
- *Historic Shipwrecks Act 1976*.

Of particular relevance to the oil and gas industry are the complementary requirements of the PSLA and EPBC Acts. Under these two Acts, there are four main environmental approvals that may be required for petroleum industry activities. These are:

- an Environment Plan under the *Petroleum (Submerged Lands) (Management of Environment) Regulations 1999*, (Environment Regulations);
 - this is required for every activity;
- approval under Chapter 4 of the EPBC Act to undertake an activity that may potentially affect a matter of National Environmental Significance (NES);
- approval under the Chapter 5, Division 3, of the EPBC Act to undertake activities that may interfere with cetaceans (eg whales and dolphins);
 - this is only required at locations and during times that cetaceans are likely to be present; and
- approvals under Chapter 5, Division 4, of the EPBC Act to carry out activities in a Commonwealth Marine Reserve.

These processes are explained below.

Some activities that were underway when the EPBC Act came into operation are still being assessed under a predecessor Act, the *Environment Protection (Impact of Proposals) Act 1974*. The EPBC Act replaced this Act for all new activities after July 2000.

Petroleum (Submerged Lands) Act 1967

Under the PSLA, the Commonwealth Minister for Industry, Tourism and Resources administers petroleum exploration and development activities in Australia's offshore areas (seaward of three nautical miles), with the 'Designated Authority' for day to day environmental administration being the relevant State/Territory Minister for Mines (or equivalent). These activities are subject to the environmental conditions specified in the Act and associated Regulations.

The PSLA contains a broad requirement for titleholders to operate in accordance with "good oil-field practice". Specific environmental provisions relating to work practices essentially require operators to control and prevent the escape of wastes and petroleum.

The Act also requires that activities are carried out in a manner that does not unduly interfere with other rights or interests, including the conservation of the resources of the sea and sea-bed. In some cases, where there are particular environmental sensitivities or multiple use issues it may be necessary to apply special conditions to an exploration permit area. The holder of a petroleum title must maintain adequate insurance against expenses or liabilities arising from activities in the title, including expenses related to clean-up or other remedying of the effects of the escape of petroleum.

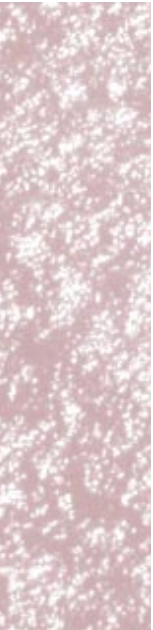
Environment Regulations under the PSLA

The *Petroleum (Submerged Lands) (Management of Environment) Regulations 1999* (the Regulations) provide an objective based regime for the management of environmental performance for Australian offshore petroleum exploration and production activities in areas of Commonwealth jurisdiction. Key objectives of the Regulations include:

- encouraging industry to continuously improve its environmental performance;
- to adopt best practice to achieve agreed environment protection standards in industry operations; and
- to ensure operations are carried out in a way that is consistent with the principles of ecologically sustainable development.

A key feature of the Regulations is the requirement that an operator submit an Environment Plan to the relevant State/Northern Territory Designated Authority before commencing any petroleum activity. An





accepted Environment Plan will establish the legally binding environmental management conditions that must be met by the operator of an offshore petroleum activity. An Environment Plan must:

- be appropriate for the nature and scale of the activity;
- demonstrate that the environmental effects and risks of the activity will be reduced to as low as reasonably practicable;
- demonstrate that the environmental effects and risks of the activity will be of an acceptable level;
- provide for appropriate environmental performance objectives, environmental performance standards and measurement criteria;
- include an appropriate implementation strategy (including an oil spill contingency plan) and monitoring, recording and reporting arrangements.

The Environment Regulations and Guidelines on the preparation and submission of an Environment Plan can be accessed on the petroleum environment website at: www.industry.gov.au/petenviron.

Environment Protection and Biodiversity Conservation Act 1999

The EPBC Act regulates assessment and approval of proposed actions that may significantly affect a matter of National Environmental Significance (NES). Unlike the PSLA, the assessment and approval is undertaken by the Commonwealth Environment Minister. While the EPBC Act may prevent an action occurring, it does not replace the need for an Environment Plan to be approved under the PSLA (Management of Environment) Regulations before an action can proceed.

The EPBC Act places the onus on the proponent for ensuring an action is either approved or does not affect a matter of NES. If a person is unsure whether approval is required, they should refer the action to the Commonwealth Environment Minister for clarification as to whether the action would be a 'controlled action' under the EPBC Act. If an activity is not judged as a controlled action, the proponent is free to carry out the activity, provided it is done within the parameters specified in the original referral. Information on referral of an activity under the EPBC Act, as well as guidelines and referral proformas can be found at: www.ea.gov.au/epbc/assessapprov/referrals/index.html.

Potential proponents are encouraged to speak to Environment Australia and the Department of Industry, Tourism and Resources at an early stage of their project planning.

Matters of NES identified within the EPBC Act that trigger the Commonwealth assessment and approvals regime are:

- nationally threatened species and ecological communities;
- migratory species;
- Commonwealth marine areas;
- World Heritage properties;
- Ramsar wetlands; and
- nuclear actions (including uranium mining).

For offshore petroleum activities, the first three matters of NES are the most relevant.

If the Commonwealth Environment Minister decides that an activity requires assessment, this could be by:

- assessment on preliminary documentation;
- public environment report;

- an environmental impact statement;
- a public inquiry; or
- an accredited process.

If granted, final approval by the Environment Minister may be with or without conditions. As a minimum, undertakings specified by the proponent in its documentation generally become conditions of approval.

Actions in Commonwealth waters that invoke the requirements of the EPBC Act must not be carried out unless approved by the Environment Minister under the Act, and undertaken in accordance with any conditions.

Details of the new environment legislation and the steps to gain environment approval are provided in the pamphlet *An Overview of the Environment Protection and Biodiversity Conservation Act*, published in October 1999 by Environment Australia. This, and other documents related to the EPBC Act, are available at: www.ea.gov.au/epbc.

The Commonwealth is currently examining the interaction between the PSLA, its Environment Regulations and the EPBC Act. The intended outcome of this examination is to deliver greater certainty of process and outcomes for environmental regulation of petroleum exploration activity, streamline environmental approval processes, and reduce compliance costs for industry.

Other Approvals

Cetaceans

A general environmental approval or clearance from the NES triggers under the EPBC Act does not cover interactions with cetaceans (eg whales). A separate permit is required when an action may interfere with a cetacean. 'Interference' involves causing a significant change in behaviour, including a significant deviation from their migratory path, or a substantial change in respiration or swimming pattern. Information on interactions with cetaceans and the steps to obtain a cetacean permit can be found at www.ea.gov.au/coasts/species/cetaceans/index.html.





Further, Environment Australia has developed cetacean interaction guidelines for the petroleum industry. The guidelines were approved by the Commonwealth Environment Minister following consultation with industry, government and conservation groups. They aim to provide guidance on interactions with whales and other larger cetaceans during offshore seismic exploration activities. Management guidelines in the document lay down specific procedures to be followed when undertaking seismic surveys. Procedures that apply according to the circumstances of the action include, amongst other things: soft start procedures; visual observations; stop work procedures; aerial surveys; and reporting and recording procedures. The guidelines can be found at: www.ea.gov.au/epbc/assessmentsapprovals/guidelines/seismic/index.html.

Commonwealth Marine Reserves

There are currently 13 Marine Reserves in Commonwealth waters. Approval is required if an action is to be undertaken within a Commonwealth Reserve. A further 11 areas are being assessed on their conservation values for possible declaration. Commonwealth Reserves allow uses that are consistent with the management plan in operation for the reserve, which may include exploration and production of petroleum. Approval requires assessment of the action proposed against the management plan in effect, with a recommendation going to the Governor-General. Information on undertaking activities within a Reserve can be found in the individual Management Plan for each Reserve.

Plans of management for current reserves, as well as information on new reserve proposals, can be found at: www.ea.gov.au/coasts/mpa/commonwealth.html.

Further Information

A report was published by the Department of Industry, Tourism and Resources in February 2001 that provides up-to-date information on the petroleum industry's potential impacts on the marine environment and the regulatory framework. Entitled *Review of Environmental Impacts of Petroleum Exploration and Appraisal Activities in Commonwealth Waters*, the report was prepared by URS Australia under the oversight of a Reference Group including representatives of PSLA Designated Authorities and the exploration industry. The report can be found on the petroleum environment website at: www.industry.gov.au/petenviron.

The report will be the basis for a Strategic Environmental Impact Assessment (SEIA) of offshore petroleum exploration and appraisal activities. The SEIA will examine petroleum activities and their potential impacts on different marine environments. This should provide additional guidance on the types of activities that may trigger the approvals processes under the EPBC Act.

Further information on offshore petroleum environmental assessment processes can be found at:

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Environment Policy Section
Resources Division
Department of Industry, Tourism and Resources
GPO BOX 9839
CANBERRA ACT 2601
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Telephone: +61 2 6213 7934
Facsimile: +61 2 6213 7818
E-mail: petr_envr@industry.gov.au

The Native Title Act and Petroleum Titles

The original *Native Title Act 1993* (the NTA) was passed by Federal Parliament in 1993 and commenced on 1 January 1994. Following extensive amendments passed by Parliament in 1998, the amended Act commenced on 30 September 1998. All references to the NTA are to the 1993 Act as amended.

In summary, the Native Title Act:

- recognises native title rights and sets down some basic principles in relation to native title in Australia;
- provides for the validation of 'past acts' and 'intermediate period acts' which may be invalid because of the existence of native title, and confirms the extinguishment of native title in some circumstances;
- provides processes for the grant of valid titles in which native title rights are protected; and
- provides a process by which claims for native title and compensation can be determined.

Native title is taken into account in the granting of mining and petroleum tenures where the grant may affect native title. The NTA provides a regime for the grant of valid titles for exploration, mining and prospecting on lands or waters where indigenous people may have native title rights and interests. On land covered by an 'exclusive possession' land title, including that listed in Schedule 1 of the NTA (eg agricultural or commercial leasehold), the States and Territories have confirmed by legislation that native title has been permanently extinguished.

Offshore, the NTA grants certain procedural rights to native title parties in respect to petroleum industry activities. While the NTA provides that any offshore activities are valid, registered native title claimants and representative bodies must be notified of an activity. It is likely that, should a native title claim be recognised, the native title holders will have a right to compensation for the effect of the





activities on their rights. On the current state of the law, it is not possible to predict the likely quantum of any compensation. It is important to note that the "right to negotiate" provisions onshore do not apply to any activity that is on the seaward side of the low water mark.

On 11 October 2001, in the Commonwealth v Yarmirr; Yarmirr v Northern Territory (Croker Island Sea Case), the High Court of Australia, in a majority decision, found that native title could exist within the limits of Australia's Territorial Sea. However, this was in a limited form in that native title was non-commercial and non-exclusive, ie it could not confer possession or occupation of the sea and seabed to the exclusion of others.

Section 124 of the *Petroleum (Submerged Lands) Act 1967*, requires that offshore petroleum operations be carried out in a manner that does not unduly interfere with other rights and interests, including native title rights and interests. To this end, the Commonwealth consults with registered native title claimants and regional bodies regarding acreage releases. It is recommended, however, that individual companies initiate their own consultative processes to ensure they comply with the NTA.

For further information contact:

General Manager
Resources Development Branch
Resources Division
Department of Industry, Tourism and Resources
GPO BOX 9839
CANBERRA ACT 2601
AUSTRALIA

Telephone: +61 2 6213 7520
Facsimile: +61 2 6213 7970

Native Title Division
Attorney-General's Department
Robert Garran Offices
BARTON ACT 2600
AUSTRALIA

Telephone: +61 2 6250 5552
Facsimile: +61 2 6250 5400
Web Page: www.nttf.gov.au
E-mail: Native.title@ag.gov.au

National Native Title Tribunal
Principal Registry, Commonwealth Law Courts
Level 4, 1 Victoria Ave
PERTH WA 6000
AUSTRALIA

Telephone: +61 8 9268 7272
Facsimile: +61 8 9268 7299
Web Page: www.nntt.gov.au

Timor Sea Joint Petroleum Development Area

On 20 May 2002, Australia and the newly independent East Timor signed a Timor Sea Treaty, an Exchange of Notes on provisional arrangements until entry into force of the Treaty and a Memorandum of Understanding on an International Unitisation Agreement for the Greater Sunrise field. These documents provide a sound legal framework that will enable commercial development of the resources in the Joint Petroleum Development Area.

The Timor Sea Treaty provides, in the absence of and without formal delimitation, for Australia and East Timor jointly to develop petroleum resources. It establishes the Joint Petroleum Development Area and provides for ownership of petroleum in the ratio of 90:10 in East Timor's favour. It also provides for a new administrative architecture, including the transfer of the responsibilities of the current Timor Gap Joint Authority for the Zone of Co-operation for the day to day management of the Area to a Designated Authority

As the Treaty will not enter into force until ratification by both Australia and East Timor, the Exchange of Notes deals with the period between treaty signing and its coming into force, to avoid a legal vacuum and to provide certainty for investors.

Over \$US700 million has been spent on petroleum exploration in the Area to date with petroleum being produced from the Elang-Kakatua fields since 1998.

The resources of the Timor Sea, especially the Bayu-Undan and Greater Sunrise fields, are of major national interest for Australia and East Timor. The signing of the documents expresses the intention of both governments to conclude all necessary outstanding matters to enable both the Bayu-Undan and Greater Sunrise developments to proceed.

Development of the Bayu-Undan field has commenced. This field will provide substantial revenues to East Timor from 2004 and will underpin the country's future. The gas will be processed onshore in Darwin for export, providing substantial downstream benefits for Australia and greater export revenue. To enable the joint-venture partners to make continued investment decisions for Greater Sunrise, Australia and East Timor signed the Memorandum of Understanding on Unitisation of the Greater Sunrise field. It expresses the intention of both governments to expeditiously and in good faith proceed with arrangements that will allow development of this field which straddles the boundary of the Joint Petroleum Development Area.

Information on exploration and production in the Area is available from the Timor Gap Joint Authority. Contact details are:

Designated Authority for the Joint Petroleum Development Area
8th Floor, NT House
22 Mitchell Street
DARWIN NT 0800
AUSTRALIA

Telephone: +61 8 8941 1861
Facsimile: +61 8 8981 7365
Web Page: www.timorgap.org.au
E-mail: darwinoffice@Timorgap.org.au

Further information on the Joint Petroleum Development Area can be obtained from the Department of Industry, Tourism and Resources Website at: www.industry.gov.au/timorsea.



Appendix A

Key Sector Contacts

Commonwealth Government

Head of Division
Resources Division
Department of Industry, Tourism and Resources
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20 Allara Street,
CANBERRA ACT 2600
AUSTRALIA

Telephone: +61 2 6213 7946
Facsimile: +61 2 6213 7955
Web Page: www.industry.gov.au/petexp
E-mail: petroleum.exploration@industry.gov.au

Chief of Division
Petroleum and Marine Division
Geoscience Australia
(GPO Box 378, CANBERRA ACT 2601)
Cnr Hindmarsh Drive & Jerrabomberra Avenue
SYMONSTON ACT 2609
AUSTRALIA

Telephone: +61 2 6249 9111
Facsimile: +61 2 6249 9983
Web Page: www.ga.gov.au

Research Group Leader
Petroleum Technical Advice Group
Geoscience Australia
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SYMONSTON ACT 2609
AUSTRALIA

Telephone: +61 2 6249 9111
Facsimile: +61 2 6249 9983
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The Executive Member
Foreign Investment Review Board
The Treasury
Parkes Place
PARKES ACT 2600
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Telephone: +61 2 6263 3795
Facsimile: +61 2 6263 2940
Web Page: www.firb.gov.au

Invest Australia
Department of Industry, Tourism and Resources
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20 Allara Street
CANBERRA ACT 2600
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Telephone: +61 2 6213 6711
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Environment Assessment Branch
Environment Protection Group
Environment Australia
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John Gorton Building
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Native Title Division
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Robert Garran Offices
BARTON ACT 2600
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Web Page: www.nttf.gov.au

E-mail: Native.title@ag.gov.au

National Native Title Tribunal
Principal Registry, Commonwealth Law Courts
Level 4, 1 Victoria Ave
PERTH WA 6000
AUSTRALIA

Telephone: +61 8 9268 7272
Facsimile: +61 8 9268 7299
Web Page: www.nntt.gov.au

Appendix B

Key Sector Contacts - State and Territory Mines Departments

(Note: Address details and special requirements for lodging applications for acreage are in the 'Guidance Notes for Applicants' publication.)

New South Wales

Director
Resource Planning and Development
Department of Mineral Resources
(PO Box 536, ST LEONARDS NSW 1590)
Minerals and Energy House
29-57 Christie Street
ST LEONARDS NSW 2065
AUSTRALIA
Telephone: +61 2 9901 8888
Facsimile: +61 2 9901 8777
Web Page: www.minerals.nsw.gov.au

Victoria

Manager
Petroleum Development
Department of Primary Industries
(PO Box 500, EAST MELBOURNE VIC 3002)
7th Floor, 250 Victoria Parade
EAST MELBOURNE VIC 3002
AUSTRALIA
Telephone: +61 3 9412 5084
Facsimile: +61 3 9412 5156
Web Page: www.nre.vic.gov.au

Queensland

Executive Director
Industry Development
Department of Natural Resources and Mines
(GPO Box 2454, BRISBANE QLD 4001)
Level 3, Mineral House
41 George Street
BRISBANE QLD 4000
AUSTRALIA
Telephone: +61 7 3237 1435
Facsimile: +61 7 3237 0470
Web Page: www.nrm.qld.gov.au/mines
E-mail: geological_info@nrm.qld.gov.au

Western Australia

Director
Petroleum Division
Department of Industry and Resources
Mineral House
100 Plain Street
EAST PERTH WA 6004
AUSTRALIA
Telephone: +61 8 9222 3333
Facsimile: +61 8 9222 3799
Web Page: www.doir.wa.gov.au

South Australia

Director
Petroleum Group
Department of Primary Industries and Resources
(PO Box 1671, ADELAIDE SA 5001)
Level 7, 101 Grenfell Street
ADELAIDE SA 5000
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Telephone: +61 8 8463 3000
Facsimile: +61 8 8463 3229
Web Page: www.pir.sa.gov.au

Tasmania

Director of Mines
Mineral Resources Tasmania
(PO Box 56, ROSNY PARK TAS 7018)
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AUSTRALIA
Telephone: +61 3 6233 8377
Facsimile: +61 3 6233 8338
Web Page: www.mrt.tas.gov.au
E-mail: info@mrt.tas.gov.au



Northern Territory

Director of Energy
Department of Business, Industry and Resource
Development
(GPO Box 3000, DARWIN NT 0801)
L4, Centrepont Building
The Mall
DARWIN NT 0800
AUSTRALIA

Telephone: +61 8 8999 5511
Facsimile: +61 8 8999 5530
Web Page: www.dbird.nt.gov.au

Timor Sea Joint Petroleum Development Area

The Executive Directors
Timor Gap Joint Authority for the
Zone of Co-operation
(GPO Box 2059, DARWIN NT 0801)
8th Floor, NT House
22 Mitchell Street
DARWIN NT 0800
AUSTRALIA

Telephone: +61 8 8941 1861
Facsimile: +61 8 8981 7365
Web Page: www.timorgap.org.au
E-mail: darwinoffice@timorgap.org.au

Appendix C

Key Sector Contacts - Private Sector Groups and Associations

Executive Director
Australian Petroleum Production and Exploration Association Ltd
(GPO Box 2201, CANBERRA ACT 2601)
Level 3
24 Marcus Clarke Street
CANBERRA ACT 2600
AUSTRALIA
Telephone: +61 2 6247 0960
Facsimile: +61 2 6247 0548
Web Page: www.appea.com.au
E-mail: appea@appea.com.au

Executive Director
Australian Institute of Petroleum Ltd
(GPO Box 279, CANBERRA ACT 2601)
Level 2, 24 Marcus Clarke Street
CANBERRA ACT 2600
AUSTRALIA
Telephone: +61 2 6247 3044
Facsimile: +61 2 6247 3844
Web Page: www.aip.com.au
E-mail: aip@aip.com.au

Chief Executive
The Australian Gas Association
(GPO Box 323, CANBERRA ACT 2601)
Level 3
40 Blackall Street
BARTON ACT 2600
AUSTRALIA
Telephone: +61 2 6272 1555
Facsimile: +61 2 6272 1566
Web Page: www.gas.asn.au
E-mail: canberra@gas.asn.au

President
C/- Federal Secretariat
Petroleum Exploration Society of Australia
PO Box 721
WEST PERTH WA 6872
Telephone: +61 2 9251 0410
Facsimile: +61 2 9251 0082
Web Page: www.pesa.com.au
E-mail: jcarmody1@bigpond.com

Appendix D

Key Sector Contacts - Taxation Matters (Commonwealth)

Inquiries on petroleum-specific matters may be directed to:

Director of Petroleum

Energy and Resources National Industry Group
Large Business and International

Australian Tax Office
6 Gladstone St
MOONEE PONDS VIC 3039
AUSTRALIA

Telephone: +61 3 9275 4062
Facsimile: +61 3 9275 4452
Web Page: www.ato.gov.au

General inquiries about Australia's taxation system should be addressed to the Australian Taxation Office at any of the following addresses:

NEW SOUTH WALES
GPO Box 9990
SYDNEY NSW 2001
AUSTRALIA
Telephone: +61 2 9374 2111

QUEENSLAND
GPO Box 9990
BRISBANE QLD 4001
AUSTRALIA
Telephone: +61 7 3213 5111

WESTERN AUSTRALIA
GPO Box 9990
PERTH WA 6848
AUSTRALIA
Telephone: +61 8 9268 5111

SOUTH AUSTRALIA
GPO Box 800
ADELAIDE SA 5001
AUSTRALIA
Telephone: +61 8 8208 3111

VICTORIA
GPO Box 9990
MOONEE PONDS VIC 3039
AUSTRALIA
Telephone: +61 3 9285 1111

NORTHERN TERRITORY
Cnr Mitchell & Briggs Streets
DARWIN NT 0800
AUSTRALIA
Telephone: +61 8 8943 9000

TASMANIA
GPO Box 9990
HOBART TAS 7001
AUSTRALIA
Telephone: +61 3 6221 0111

AUSTRALIAN CAPITAL TERRITORY
GPO BOX 9990
CANBERRA ACT 2601
AUSTRALIA
Telephone: +61 2 6216 3111

Appendix E

Australia - General Facts

Area (km ²):	7,703,580 (land area) 12,000,000 (offshore area)
Population (million):	19.8 (as at December 2002)
System of Government:	Federation ('Commonwealth') of six States - New South Wales, Victoria, Queensland, Western Australia, South Australia, Tasmania - and two mainland Territories - Northern Territory and Australian Capital Territory Parliamentary democracy based on Westminster system; Federal Parliament consisting of House of Representatives and Senate
Capital:	Canberra (population 300,000)
Main cities (population million):	Sydney (4.1), Melbourne (3.5), Brisbane (1.6), Perth (1.4), Adelaide (1.1), Hobart (0.2), Darwin (0.1)
Official language:	English
Gross Domestic Product:	\$A695,663 million (2001-02)
Exchange rate:	\$A1 = \$US0.56 for November 2002
GDP per capita:	\$A35,693 (2001-02)
Primary petroleum exports: (excluding refined products)	\$A9.5 billion of which LNG comprised \$A2.6 billion (2001-02)
Primary petroleum imports: (excluding refined products)	\$A7.46 billion (2001-02)



